

THE CO- OPERATOR



DEPARTMENT OF EMPLOYMENT

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The Italian Movement: A Co-operative Paradise?

- Common Ground —
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Guidelines

New Options For Disadvantaged



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by JAN MCKEMMISH

A GAP IN THE RECORDS



JAN MCKEMMISH

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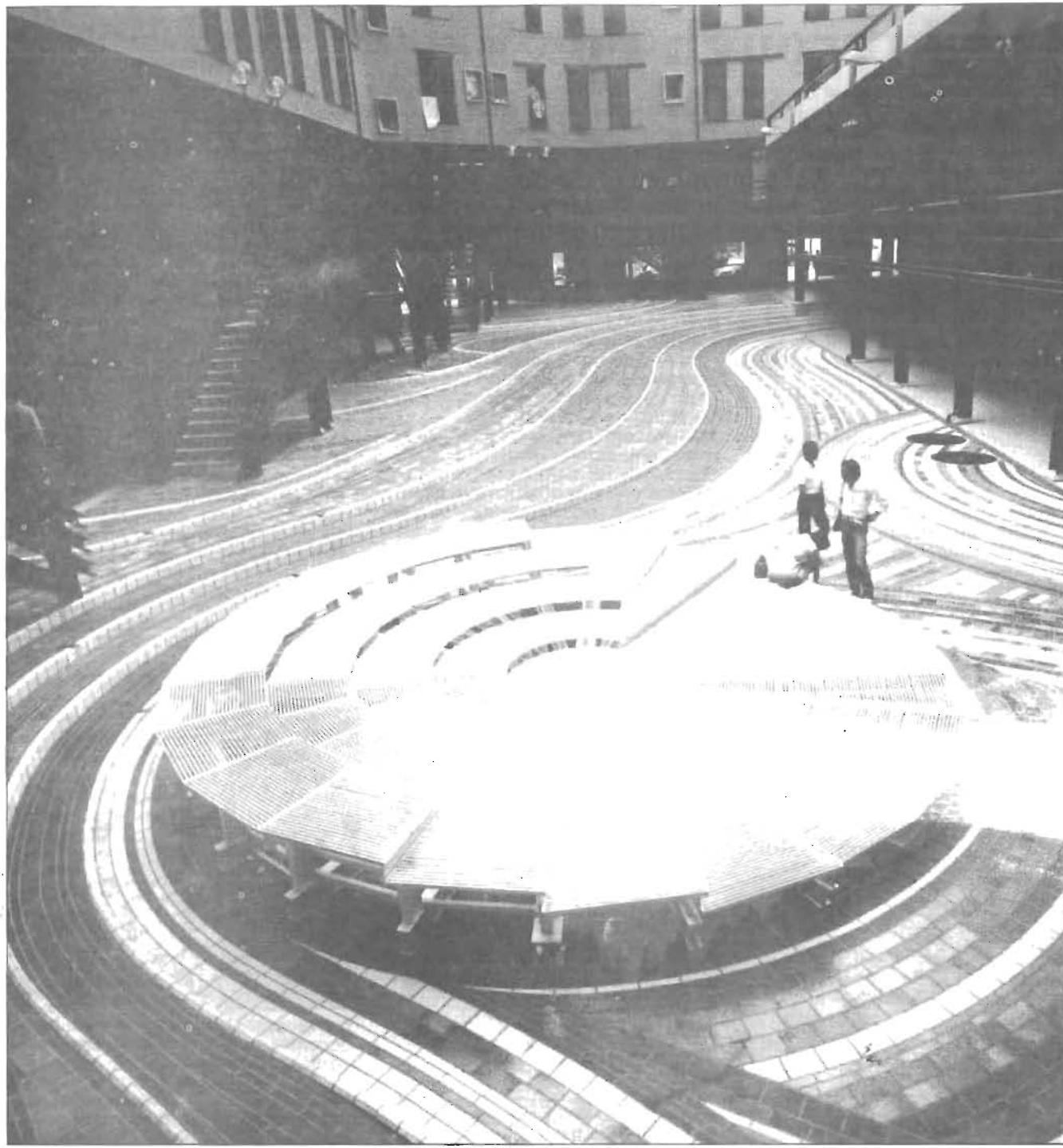
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Front cover: Winitred Buchanan, worker with Inner Urban Cooperative

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Breakthrough For Worker Co-Ops

The worker cooperative movement may soon be strengthened with the establishment of a worker cooperative association. It is hoped that the association will be operating by the end of the year.

Jim Asker, a researcher with the Worker Co-operatives Working Party, said the association would be the most important step in the cooperative movement since the foundation of the Co-operative Development Program in 1980.

If the association is established, it will be the result of more than a year's planning and study, including a research project conducted by Marg Hosfall.

In her study, Hosfall reported that all worker cooperatives in Victoria

fully supported the idea of an association. Her study also indicated that similar associations overseas caused a growth in the number of worker cooperatives.

Asker said the Registrar of Cooperatives had welcomed the idea of an association in a meeting held recently.

"At present there is no effective representation for worker cooperatives," said Asker.

"Currently in Australia there is an overcentralised cooperative sector. Worker co-operatives require high capitalisation which in turn demands specialised organisation."

Citing the Italian and French co-

operative movements, Asker said they had a greater understanding of the need to raise capital for worker cooperatives. He said there had been a long held assumption in Australia that worker cooperatives had to provide their own financing.

"When worker cooperatives have failed, it is then concluded that manufacturing is best left to the private sector."

He said an association would act as a trilateral body initiating discussion between worker cooperatives, other cooperative associations and the government. It would also be in a strong position to provide common financing for worker cooperatives.

"In Italy, worker cooperatives are seen as central to the cooperative movement as a whole. The Italian cooperative movement is united, while at the same time each sector is individually represented."

The idea for an association grew out of the worker cooperative working party which acted as an advisory body within the Ministerial Advisory Committee on Cooperatives (MACC).

Radio Alive For Central Victoria

The Goldfields Community Radio Co-operative (3CCC) has become the first radio station in Australia to begin regular outside broadcasts using a microwave link.

The Co-operative has recently added a microwave link to its mobile recording unit, which now enables the station to broadcast live-to-air events from the Central Victorian region.

The station chose to establish the microwave link due to the lack of Telecom landlines in the region. Station Manager, Jeff Langdon, said the direct broadcast facility enabled 3CCC to fulfil its commitment as a community radio station.

"Given that our community of interest is a geographical area covering 3,000 square miles, with a population of 100,000, we'll now be able to show a presence wherever we see the need", he said.

Since its beginnings in 1980, the co-operative has created permanent employment for a core staff of six. It has also hosted a number of short-term work experience projects employing 20 other cooperative members.

Last year the cooperative set up a mobile recording unit with assistance from the Co-operative



Development Program. The unit operates as a separate business, Triple C Recorders.

Nursing An Ideal

Permacroft, a recently formed land-based community cooperative, has acquired the Victorian Tree Crop Nursery at Mt Macedon.

Co-op worker Daryl Sipos said the nursery was quickly adapting to local needs. It will offer a landscape design service, including maximum land use, multistorey agriculture, wind breaks and irrigation systems.

The cooperative is hoping to use profits from the nursery to eventually purchase 200 acres of land in the Daylesford area.

"We are aiming at 20 acres to

begin with. If all existing members pay up their full amounts, if more people join and if the nursery does as well as we hope it will, we can purchase this land by early 1986," said Sipos.

He said 20 acres would be suitable for a wide range of income earning ventures and community needs.

"We could move the nursery business from Mt Macedon, we could start up an organic market garden for our own needs and for local and Melbourne sales. A visitors' centre could also be built on the land."

Sipos said Daylesford offered some of the cheapest housing prices in Victoria.

Permacroft partly derives its name from the old croft communities which were based on cooperation between self-sufficient small farmers and villages, who worked

on cash income earning cottage industries. The cooperative will aim at agricultural self sufficiency through permaculture farming methods.

The Victorian Tree Nursery has been operating for five years, marketing farm trees not easily available in Australia.

"This winter we will also plant a wide range of deciduous trees which are normally dormant in winter. These can be airfreighted out to customers for replanting elsewhere."

Permacroft was registered as a Community Advancement Society in May.

A public meeting for those interested in joining the cooperative will be held at The Mechanics Institute, corner Sydney and Glenlyon Roads, Brunswick on Wednesday, 29 August at 7.30pm.

New Options For The Disadvantaged

The Inner Urban Co-operative in Collingwood occupies a unique position both in the small business and cooperative sectors in Victoria.

As the only cooperative employing a majority of intellectually disadvantaged workers, it has become something of a role model since it began in September 1983.

Originally established by social workers from the Middle Park centre, the cooperative received an Employment Initiative Program (EIP) grant in 1983 to establish a clothing manufacturing business.

The cooperative initially employed six workers, a manager and a supervisor. Staff have now increased to seven workers and there are also two "workers' advocates". Although not officially a worker co-operative, the workers practise a high degree of participation and decision making.

Experience among the workers varies: Some have previously worked as industrial machinists in sheltered workshops. For others this is their first full time employment. Receiving award wages is a new experience for all the workers.

Winifred Buchanan, a machinist in the cooperative, said the idea of an advocate was originally suggested by the workers. She had previously worked in sheltered workshops.

"We never had meetings in the sheltered workshop and we didn't have much say. Now, through the advocate, we can get things done."

Bernie Ross, who acts as the advocate, said he aimed to facilitate decision making among the workers.

"It would be easy to influence decisions. However, by choosing to facilitate, the workers as a group have learned to make decisions and to follow things through."

Dissemination of information is a high priority amongst both workers and management. Workers held their own meetings and may attend management committee meetings. While the Board meets independently of the workers, it chooses an advisory role. Board member Rob Webb said the advocate was appointed to ensure full participation by the workers in the day to day affairs of the cooperative. For most Inner Urban workers, democratic meeting procedure is a new experience. All agreed that the structure allowed for a greater feeling of participation and a growing sense of their own power.

"We believe it's extremely important that information is disseminated so that decisions can be made effectively," said Webb.

The first product manufactured by the cooperative, a baby rug, proved

unsuccessful to market. The Victorian Chamber of Manufacturers had suggested the product after hearing of its success in the US.

"However little market research had been conducted on the viability of the product," said Ross.

The co-op now makes windcheaters under contract to Exacto. It is hoped the current level of 400 units per week will soon be doubled.

Co-op manager Bruce a'Beckett said staff would eventually expand to 15 workers. He said experienced machinists who were not necessarily disadvantaged would be employed. He argued that this fitted in with the co-op's profile as a small business, rather than a sheltered workshop.

The cooperative has recently taken on an educational role.

"Parents of the disadvantaged are crying out for other options. They're asking for different alternatives to sheltered workshops. What we can

say is that disadvantaged people can adapt to a commercial role in our society," said a'Beckett.

Both workers and management are currently involved in seeking new premises for the cooperative. Structural problems and a leaking roof make the present factory space inadequate.

Leasing of new premises, and the planned expansion of staff, will be made easier with a recent grant from the Co-operative Development Program. As a prerequisite to the grant, co-op members attended the new enterprise course at Preston TAFE. Two consultants were employed to advise on managerial structure and conduct market research. After it was determined that a place existed in the market for a cooperative of this type, a market plan was produced. Robb expressed certain reservations about the course.

"The enterprise course was extremely useful. It provided us with some good contacts. But we found the time was too short, although that's due to limited funding."

While sheltered workshops will continue to be the major employer of physically and intellectually disadvantaged people, the Inner Urban Co-operative stands as a solid and practical alternative, one which combines sound business management with socially useful aims.



Geoff Hall



Sheryl Stares

Worker Self-Management in Peru and Chile

DURING the 1970s, social reformers in Peru and Chile tried to create and organise a sector of small and medium-sized businesses which were owned and managed by their workers.

It was hoped that these firms would become an engine for economic growth, providing new and stable jobs for underemployed, often recently migrated, urban workers.

The new sector would fill the gap between the small workshops that typified the unorganised, informal economy and the large industries that dominated the national economy.

Although the aspirations in both Chile and Peru were similar, the two movements had very different origins. Worker-owned enterprises first appeared in Chile while Eduardo Frei was president. They multiplied under the Allende government in the early 1970s when several large firms were nationalised and when many others were placed under state receivership because of bankruptcy, owner abandonment, or labor problems.

Following the coup d'état of 1973, the government decided to sell its public industries to the highest bidders. A small group of professionals, who had worked for the government's Technical Cooperation Service during the 1960s to form and advise urban industrial cooperatives, hurriedly drew up a plan to help workers purchase their own firms.

The proposal, which also included loans for working capital to existing production cooperatives and small technical assistance and training programs, was funded by various international agencies. Workers borrowed from these funds to finance approximately one-third of the cost of buying 15 large, state-owned companies and used their accumulated pension rights and severance pay to cover another six percent of their purchase price. The government provided the rest of the money through loans from an institute for financing cooperatives.

These 15 businesses were much larger than any previous worker-owned firms in Chile. Although the size of the new enterprises made them difficult to run, consolidation of the firms into a whole "sector" seemed possible. A board was set up under the auspices of the Catholic Church's Foundation for Development to manage loan funds, prepare bids and in general to nurture both pre-existing and newly purchased production cooperatives. In short, from the outset, the attempt

to organise the new sector in Chile was an *ad hoc*, private response to a public crisis. The government's initial attitude toward these enterprises wavered between suspicion and indifference.

Meanwhile, in Peru, a similar though less dramatic effort was underway. In 1974 the government passed the Social Property Law to create "social property" firms and integrate them into an economic sector. Property would be "social" in the sense that the people who worked in a company would operate but not directly own that business: all firms would be owned by *all* the workers in the sector. Internally, each enterprise would resemble a cooperative and be organised by a one-person/one-vote rule; collectively, the firms would be grouped by regions to elect assemblies which, in turn, would elect a national governing assembly. The legislation was influenced by foreign models (especially the worker-run factories in Yugoslavia) and by Peru's previous experience with cooperatives and agrarian reform.

To avoid individual or group ownership, the government would finance the new sector through the National Social Property Fund (FONAPS), which would charge each social property firm a variable "rent" to compensate for differences in profitability and natural monopolies. Any excess profits were to be channelled to FONAPS where, combined with loan repayments, they would form an ever-increasing fund for establishing new enterprises. (To minimise opposition from established businesses, severe restrictions were placed upon converting privately owned companies into social property firms.) Thus, in contrast to Chile, the government not only tolerated the establishment of the new sector, it was the driving force behind it.

To understand Peru and Chile's experience with worker self-management — and, in particular, the creation of public and private institutions to support the enterprises — it is useful to consider the cases of two workers who found themselves participating in the worker self-management sector.

A Stove Factory In Chile

Ernest Gutierrez was born and grew up in a shanty town on the edge of Santiago de Chile. His father, who had migrated from the countryside after many years of short-term jobs between periods of unemployment, finally landed a steady job as a factory watchman when Ernesto was 10. The third child in a family of six brothers and sisters, Ernesto left school when he was 14 to help support his family.

He was lucky enough to get a job in a medium-sized factory which produced gas stoves. Shortly afterward, he joined the union because practically all of his co-workers belonged and approved. Although the union leaders appeared to favor the Chilean Communist Party, most of the employees were not active in a political party, and support for the Socialist and Christian Democrat Parties was tolerated.

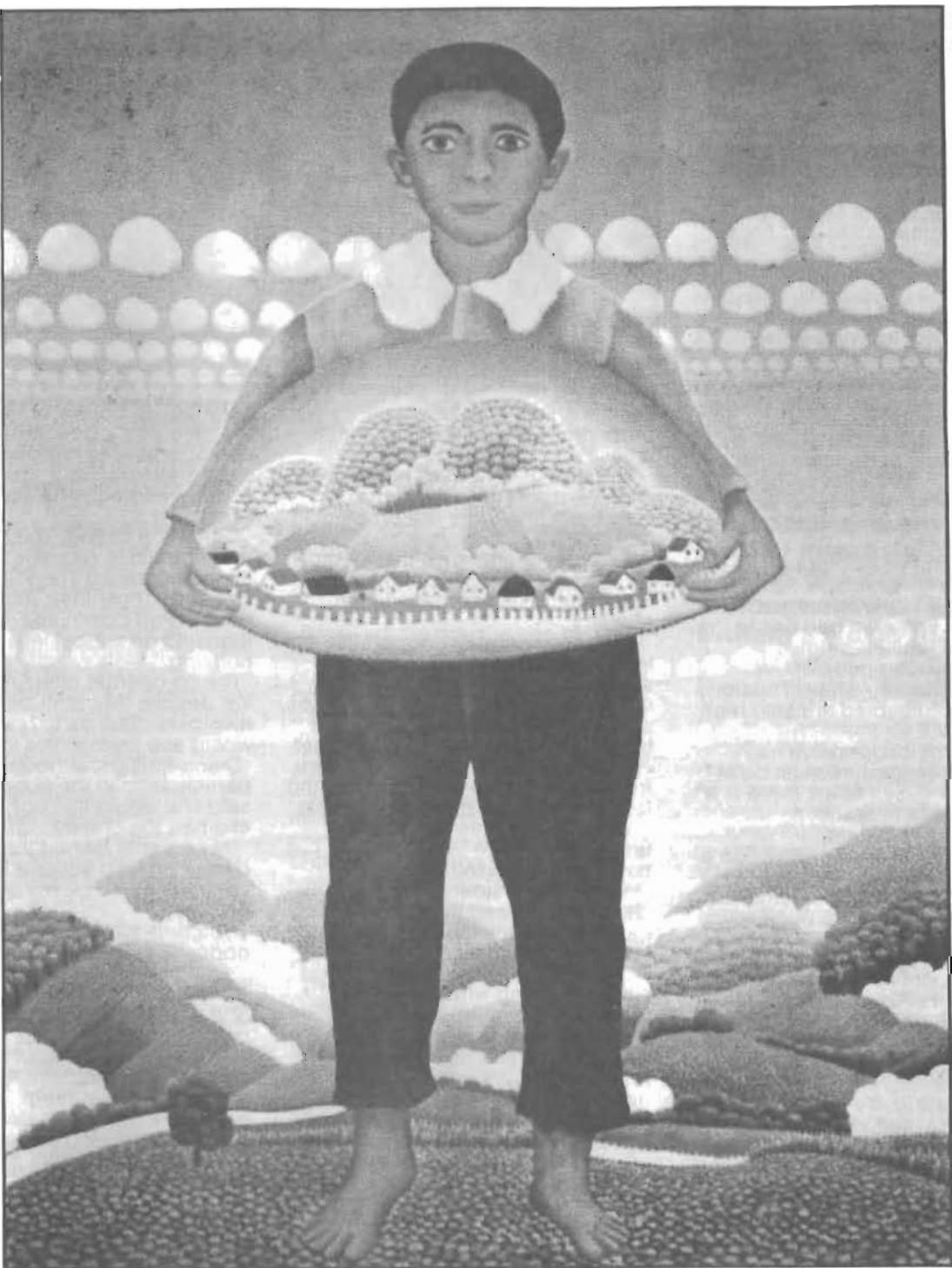
The campaign that elected Salvador Allende as president of Chile at the head of the Popular Unity coalition aroused considerable interest and discussion among the employees in the factory. However, even those workers who had voted for the Christian Democrats seemed well disposed toward the new government. Most people expected that wages and working conditions would improve and that workers' concerns would have high priority, although there was some concern about the possible reaction of businessmen and the armed forces.

The owner of the factory, a Chilean of European descent, was upset by the election and made it clear that he would not let the union interfere in factory operations nor accept any disrespectful behavior from "upstart" employees. The union leaders, for their part, felt able to be more demanding in contract negotiations with the owner and expected the Labor Minister to vigorously enforce employer compliance with collective bargaining agreements and government regulations.

During the next two years the demand for the company's products increased, but raw material shortages and deteriorating relations between the union and the owner led to numerous work stoppages and slowdowns. Events came to a head near the end of 1972, when the owner stopped coming to the factory. At first work continued normally, but by the end of the second week, when there was still no news and bills had to be paid and decisions made, the bookkeeper tried to contact the owner at home. Neighbors said that the owner had sold his house and moved with his family to the United States. The bank confirmed that the firm's accounts had been closed and its money withdrawn.

Faced with an impending crisis, the union local called a series of meetings and consulted its national

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A Living Option

If there is an Australian dream, then owning a home would be a major part of it. For several decades Australia has maintained the highest percentage of home ownership of any Western country. This is contrary to the European experience. In Denmark, for instance, 65 percent of housing stock is co-operatively owned. So it is no surprise that rental housing co-operatives in Australia are still embryonic in nature, and in many ways radically oppose widely held assumptions about home ownership. Nevertheless, the cooperative housing sector is alive and kicking.

How do you measure the success of a housing cooperative? By the number of houses in stock? The satisfaction of its members? Or by its sheer survival?

The Willianstown Rental Housing Co-operative, which includes Spotswood and Newport, describes itself as a "community within a community". Dianne Hutchins, newly appointed housing worker with the co-op, emphasised that it was more than simply a group of houses organised under a name. She said that the health of the cooperative depended on its members participating on a number of levels.

"Some people join the cooperative thinking they know what it's all

about, but then they discover it requires more responsibility on their part, and lose interest."

That responsibility may vary. The cooperative regards attendance at its monthly general meetings as essential. However, members are also encouraged to join one of its five committees which cover maintenance, tenant selection, finance, administration and house buying.

Hutchins said most people welcomed the opportunity to participate.

"For the majority, living in the co-op becomes a way of life, rather than just getting a house."

The housing cooperative is set up as a public rental organisation, and only those eligible for a public house are able to become tenant members. Rents for the co-op houses are set in the same way as for all public housing — roughly one fifth of income.

The cooperative also practises its own criteria for selection. Apart from a willingness to participate, people are favored if they've had ties to the local area. Families, singles (especially young people), pensioner couples, shared custody parents and disabled are also high on the list.

Although the cooperative has agreed that properties must be at least eight houses apart, there is a high degree of interaction, according to Hutchins.

"In general, the cooperative has a very positive feel about it. We're always discussing improvements. And many people have positive life experiences from joining. Most of the people who draw the benefits and participate never look back."

The cooperative gives high priority to participation, then it is obviously in this area that problems will arise.

"There are, sadly, some people who you may never see unless they want something. It's a hard question to deal with," said Hutchins.

"One of the answers is that you revoke their membership, but then the ministry doesn't want to take houses back."

The option of eviction is not favoured.

"I think the priority is to take pressure off the group so we can get on with the business of running the co-op. We could keep forcing people to participate, but there'll always be a percentage of people wanting to stay on the sidelines. You can't always pick the right people."

"Picking the right people" involves a lengthy and detailed process. Prospective residents must first join the cooperative before they receive a house. The cooperative is currently holding workshops to acquaint possible members with its aims and objectives. On average there is a twelve month wait after joining the co-op before receiving a house.

The Ministry of Housing takes an active role in purchasing properties.



Information night — high degree of participation

Hutchins said spot buying of properties remained a problematic area.

"The last lot of houses handed over, we didn't have a chance to view them first. Time is a problem in that regard."

While the cooperative may decide on a house to buy, it can only recommend its purchase to the Ministry.

While the notion of cooperative living gains popularity, prejudice still exists in the community. One member of the co-op, Diana Phillips, said she'd experienced prejudice from other households in her street.

"Many residents in the street were frightened that co-op tenants would let the house run down. You'd hear comments such as 'Oh, Ministry tenants! Garbage in the streets.' I've had to prove myself as a respectable resident."

Hutchins agreed that there was much ignorance towards public housing in the area.

"One councillor wrote a paper on public housing which was incredibly bigoted. There's an incredibly strong need for public housing in Williamstown but many residents simply don't want it to happen. I'm not quite sure of the reasons. Possibly because it's an old area with strong ownership ties, also because it's becoming more upmarket."

"We have had problems with

neighbours, but we've handled it well. We sent a delegation from the co-operative to handle it. In that case it was our fault. We had tenants we had to do something about."

"But we're strong. You have to face the problem. A group is attached to the co-op called The Public Housing Committee, although it's not a co-op committee. They're lobbying on a local level for public housing."

The co-operative offers life tenancy. Yet despite this, attitudes by members differ as to how long they would see themselves staying.

Diana Phillips, although a keen participation in the cooperative, said she would still buy a house if she had the choice.

"My parents owned their house. If I owned one, I'd acquire a different status. It would be my own property."

Hutchins said she's also heard opposite reactions.

"One of the members said if she won tatts, she'd stay. She'd do it up. She didn't care about not owning a co-op house."

Obviously, rental housing cooperatives are no threat to private property development. What they do present is one alternative to paying private rental, and just as importantly, they offer people the much needed opportunity to control their living environment.

Coming Into Land

YOU'VE seen the ads in the newspaper: "Ten cheap country acres, bush and building permit, vendor terms available at no deposit."

Both the *National Times* and *The Herald* have recently run feature stories on the experiences of some people embarking on the great Aussie adventure — going bush. Many people do it successfully; for others, especially low income earners, the realities can be less satisfactory.

No water, poor access, expensive power connection and the sheer guts and toil required to grapple with a myriad of problems all at once are reflected in the high rate of foreclosures and walk-offs from "cheap" rural building blocks.

In recently documented cases in the Victorian Central Highlands, some allotments sold three times over inside twelve months. One woman who lost her block had to drive her children into town for a shower at the caravan park; there

was no water on the block. Nobody said going bush was meant to be easy, except, perhaps, the vendor. So where to from here?

An alternative to the one family/one block/one house approach is the idea of the rural land-sharing community, built on co-operative principles. Indications are that this type of rural lifestyle is becoming increasingly attractive to Australians concerned about demand exceeding supply in areas such as housing, employment and other dysfunctions in the social and economic climate.

The Victorian Ministry of Housing, through the Registrar of Co-operatives has published a feasibility study, *Sustainable Community Settlement Society*, which identifies and examines a number of key issues in planning and developing a rural land sharing co-operative.

To sustain is to keep (a person or community) from failing or giving way; it also means to keep something from failing by support from below. So we can say that a sustainable community depends for a healthy future on grass roots care and support.

The study examines the question of community sustainability from four perspectives — social, environmental, financial and technical, which are each interrelated. To explain: building a fence results in the separation of people, animals and objects (social); it has a physical impact on its surroundings (environmental); it requires the use of resources, often money (financial); and it can be built using a wide range of materials and methods (technical), the choice of which reflects social values, a range of environmental impacts and so on.

The study proposes a co-operative rather than a communal approach to community development. A co-operative is a community where sharing is limited, usually clearly defined and often legally enforceable. A commune involves a higher degree of sharing and is often seen as an alternative family; it is quite feasible to establish a commune in the context of a co-operative community.

The sustainable community concept requires a new approach to rural land use. Multiple occupancy is a land use policy which provides for people to share rather than subdivide land. Introduced in New South Wales in 1979 multiple occupancy allows for a more comprehensive — holistic — approach to environmental matters in development design, so that houses are grouped in small clusters or hamlets, with minimal physical impact. Bushland is usually reserved for flora and fauna protection; cleared land can be grazed, cropped or reforested.

Multiple occupancy is based on environmental carrying capacity and density. In NSW the highest

density permitted is one person per hectare with a minimum site area of 40 hectares (100 acres). In this way, the rural aspect of the landscape is retained.

At a recent conference, the Chair of the NSW Land Commission referred to multiple occupancy as the most significant innovation in land usage since white settlement. Multiple occupancy has just been introduced in Western Australia but is not yet available in Victoria.

The financial outcome of rural land-sharing cooperatives can be considerable. The land cost component can be achieved for about \$3,000 per person in many parts of Victoria. Each member household has a share certificate providing exclusive rights to a cluster/hamlet house site and shared use of communal facilities and the common ground. On leaving a community, exiting member recoup their ingoings but will not profit from their land share. In this way, community co-operatives can work to stabilise land prices.

Small adobe houses can be self-built for around \$15,000. So it is possible that a three person household could be established in a cooperative for about \$25,000, including land.

Cooperatives mean work. Beyond the obvious tasks in a community co-op, much patience and effort must be invested to sustain the community itself — determining priorities, resolving conflicts, making decisions. The best way to achieve this level of involvement is by creating a supportive environment for the individual, the household and the community.

The Ministry of Housing hopes to facilitate a pilot sustainable community and to this end, has been working with a community core group from the Panton Hill area, north-east of Melbourne. A CEP project for construction of a community centre workshop has been approved in principle, and will provide 13 local jobs. The search for a suitable site is hotting up.

In the longer term, the future of sustainable communities in Victoria is dependent on recognition and support by Government. A number of rural municipalities have indicated their support for the sustainable community concept. However, successful implementation requires a positive and co-operative approach from a range of government agencies, including planning, building and health. Other anomalies exist in such areas as land tax, municipal rates and service connection fees.

So it's not easy. And as a woman "communard" from NSW recently noted: the greatest problem is that Australia lacks a cultural tradition of co-operation.

Historically, the current interest in Sustainable Communities will come to be seen as yet another wave in

the settlement of rural Australia. Earlier waves in white Australian history including squatting and selection and the labor colonies of the nineteenth century and the soldier settlements of the more recent past.

Unlike many forerunners, Sustainable Communities whether rural or urban have the potential to achieve a unique benefit, the possibility of common wealth.

Paul Goldstone is Secretary to the Ministerial Advisory Committee on Co-operation and Convenor of the Sustainable Community Project.

Ironbark Hill

The Ironbark Hill Community Co-operative Working Group, represents the social and environmental interests of a large section of affected residents in the Shire of Eltham's North Riding.

In May 1982, the then Chair of the Melbourne and Metropolitan Board of Works (MMBW), Mr Alan Croxford, announced a decision to reduce the size of the proposed Watson's Creek Dam Reservation. As a result some 2490 hectares of inner rural land in the Kangaroo Ground/Panton Hill region will soon be released for development. The MMBW owns 60 percent of this land.

The working group came together two years ago when it was realised the MMBW's decision would mean the loss of rental homes currently owned by the Board in the former Watson's Creek Catchment zone. Some hundreds of people, mostly low to middle income households will be affected by this.

Half the members of the working group live in affected MMBW houses. Others are past MMBW tenants. The MMBW has since revealed that 58 of its 210 properties are rented out.

In response to the approaches made, the Ministry of Housing invited the IHCC working group to take part in a "Sustainable Community Feasibility Study". It was intended that the working group make up the core of a pilot project, which would become a model for alternative sustainable communities.

The model would be based on the principle of hamlet housing under multiple-occupancy common equity. Land remains communal and is cooperatively owned. The form of tenure prevents individual shareholders from profiting from their land entitlement. The lack of capital gains results in land price stabilisation.

The Iron Bark Community Co-operative working group accepted the invitation and began an intensive period of consultations

with the Ministry of Housing's project facilitator, Paul Goldstone, and consultant Paul Cock. The latter is a practising sociologist and a founding member of the Moora Moora Cooperative, a land settlement group situated on 240 acres near Healsville.

Over a three month period evening meetings were held once a fortnight with the government representatives. In addition the group met fortnightly among themselves.

Also, two weekend conferences were held at Moora Moora Co-operative, with a third weekend held on rural land being considered for a sustainable community development. The Shire of Eltham has given full support to the scheme.

Social, technical, environmental and financial issues were given thorough consideration and relevant experts were involved. Co-operative aims and objectives, management policy and structure, decision making and resource sharing have been some of the issues discussed.

This process has produced two sets of reports. One has been published by the Ministry of Housing as a feasibility study for a Sustainable Community Settlement Society to be incorporated as a co-operative. The report is holistic in that it addressed housing problems from a wide perspective, with potential benefits for the environment, employment, social welfare, youth and disadvantaged groups in society, as well as low-income groups generally. The other set of reports forms a draft for internal consideration by members of the Iron Bark Co-operative, and provides a basis for legal incorporation, as they contain a constitution, aims, objectives, and guidelines for members.

The working group has examined the model rules provided by the Registrar of Co-operatives and has decided upon appropriate amendments.

Formalisation of the cooperative is dependent on the appropriation of a suitable land site at an affordable

price, as determined by financial parameters established by the Ministry of Housing.

This condition has created great difficulty due to a climate of land price maximisation which has driven local values through the roof in the two years since the need for a housing cooperative was identified. The co-operation of the MMBW in making land available has been sought. Such a joint venture between government bodies would enable the Ministry of Housing to immediately launch a scheme which may ultimately benefit many low and middle income earners in Victoria.

There is total support from the Shire of Eltham for development. Given that 1400 hectares of public land are in transition, and considering the obvious benefits, it would seem an ideal opportunity to facilitate an innovative public project, were government bodies to co-operate.

Fabrizio Calafuri

Common Equity Rental Housing Co- operatives (CERC for short)

Victoria has a seven year history of housing cooperatives, beginning with the funding of the Fitzroy/Collingwood Rental Housing Association in 1978.

There are now eighteen approved leasing cooperatives in Victoria which manage over 300 dwellings.

There are another nine leasing coop working groups which are on a Ministry of Housing waiting list.

The move to establish common equity rental housing coops grew out of a commitment to housing coops and a dissatisfaction with a number of aspects of the leasing coop program. In particular there have been problems with spot purchasing of homes, and eligibility (all members of a leasing coop must be eligible for a Ministry of Housing home — people on high incomes were not eligible).

The form of these new housing coops is based heavily on coop development in Canada, where over 70,000 dwellings have been purchased over a seven year period.

Although details of the rental equity program have yet to be finalised, there are certain main principles which will be followed. The coops will own their own

houses as a group. Common equity means that there is no individual ownership of dwellings. Only the coop, the legal entity, can buy and sell properties. The coop will be made up of the tenants to be housed.

Tenants of the coop will pay no more than 20 percent of their income in rent. They will not have to pay any extra (on top of their rent) for upgrading or maintenance work on their dwelling, water rates and Council rates.

Tenants will have security of tenure and will be covered under State tenancy legislation (i.e. the Residential Tenancies Act). When a coop tenant leaves the coop they forfeit all their rights as a coop member.

It will be left to individual coops to develop policy on whether children of coop members can remain in the coop dwelling if anything happens to their parent(s).

It is hoped that as the housing coop movement grows there will be the opportunity for tenants to transfer to dwellings in other coops.

Common equity rental housing coops are non profit. There will be dividends paid to shareholders in the coop. General surpluses generated by the cooperative will be put back into upgrading dwellings and further expanding the public housing coop sector by purchasing

new dwellings.

Resourcing coops will be set up to assist CERCs in their development. The resourcing coops will employ people who are architects, work officers (who can detail upgrading work on dwellings), maintenance people, financial advisers, community development workers and so on. These employees of the resourcing coop will be available to the CERCs to assist them on all aspects of the operation of their coops.

Much of the work to date has been to establish infrastructure. A sub-committee for the CERCs has been set up, with representatives from Shelter Victoria, Cooperative Housing Advice Service (CHAS) Victoria, the State Ministry of Housing and the Federal Department of Housing and Construction.

Fourteen community housing groups have done considerable work on making themselves eligible for assistance under the program. A financial consultant has also been employed by the sub-committee to examine strategies to borrow private money and negotiate with financial institutions.

Six groups have applied to be funded as resourcing cooperatives. Submissions for CERC programs will be called for in late 1985, and it is hoped that CERC groups will be funded by early 1986, with houses possibly purchased in June.

Coop groups wishing to apply to this program should note that Government funding is only guaranteed up to the end of the 86/87 financial year. Any groups starting up will probably have to wait for at least two years before being funded, given current government commitments.

For more information about the CERC program, contact Tim Gilley on (03) 347 6667.

INTERESTED IN WORKER CO-OPERATIVES?

A Worker Co-operative is a form of business which is owned and controlled by the people working within it.

If you are interested in setting up a business that is democratically operated and in what assistance could be available from the State Government you should attend the following FREE Seminar:-

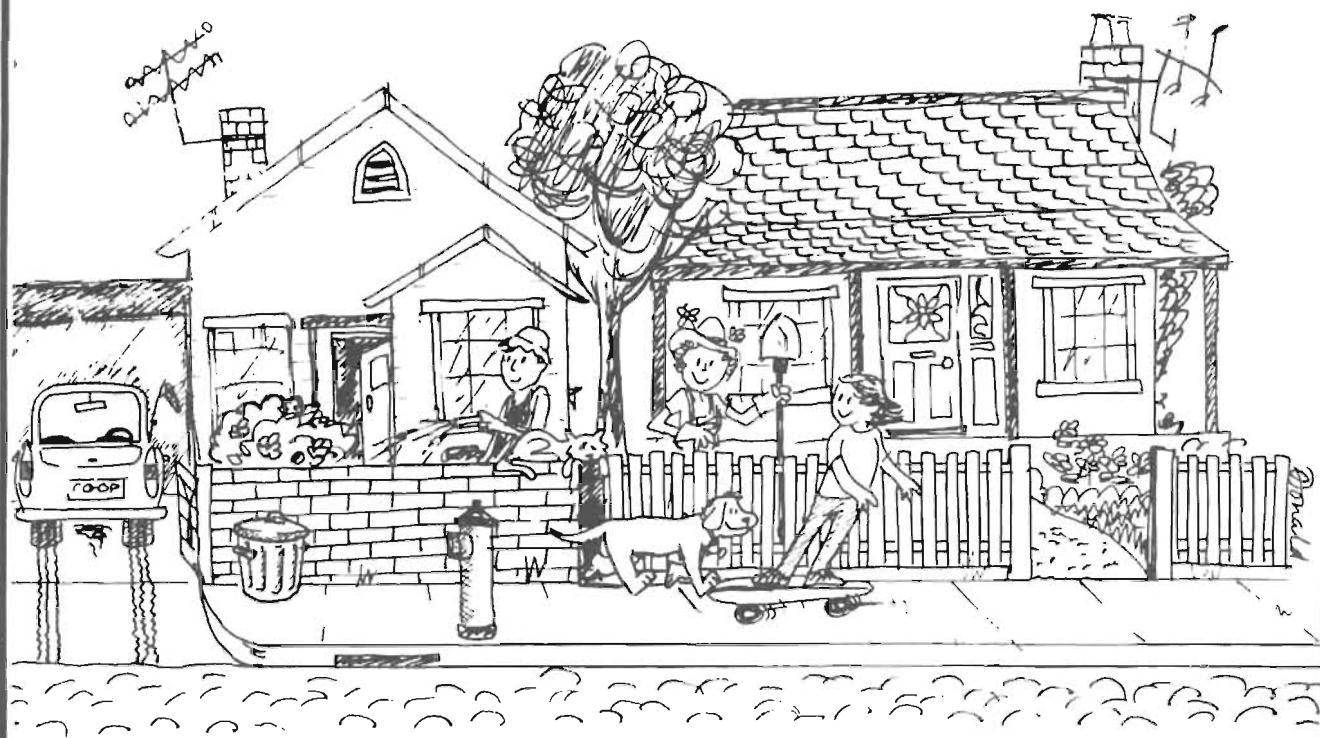
**"An Introduction to
Worker Co-Operatives"**
Thursday, 29th August
6.15 — 9.30 p.m.

Preston College of TAFE,
152 Plenty Road, Preston

Telephone Jean on 480 5166 and register to ensure a place.



Preston College
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Housing Cooperatives — A History

THE past ten years have seen the rapid growth of Rental Housing Cooperatives (RHC's) in Victoria to the point where there are now 18 cooperatives managing more than 300 properties.

This is significant in a country historically devoted to the goal of home ownership. With further growth of the present program and the birth of Common Equity Rental Cooperatives (established with funds from the Federal Government's Community Housing Program), the cooperative housing movement seems sure to continue growing.

What Is A Housing Cooperative?

A housing cooperative is a group of people committed legally and ideologically to the responsibilities of collective management of the properties in which they live. In practice, this means actively participating in the making and implementation of decisions.

Potentially this control over the operation of the co-op by its membership is comprehensive and far reaching, in that it can totally rework the terms under which the properties are leased.

When lessor and leasee are one and the same, the contract between the two can be sensitive to both parties' needs: the typically exploitative relationship between landlord and leasee no longer exists. In addition to implementing basic housing rights such as reasonable rents, security of tenure, choice and quality of housing, the cooperatives provide a forum for ideas and an opportunity for skill-sharing, as well as a supportive environment to foster personal growth.

There are two main types of cooperatives which differ fundamentally from each other.

Equity Cooperatives provide the opportunity for the members to make a profit on their original investment (share), because upon leaving the cooperative, the value of the share is calculated consistent with the capital gain of the property and/or the amount of time given to the co-op by the member (sweat equity).

In a non-equity co-op however, property is held in common (leased or owned), shares are only nominal in value, and there are no financial returns on shares to the individual. The two main objections to the equity model are: that cooperative housing should not allow for individual profit; and that as the share value increases, people are forced to pay ever-increasing amounts for their membership. Lower income groups become

financially prohibited from membership and decent housing becomes the preserve of the well-to-do.

Where Did It Begin?

It was in 1975 that a group of people concerned to improve and expand public housing in their community began to meet and discuss the possibility of a publicly funded rental housing cooperative.

The group sought the establishment of a program in the Fitzroy/Collingwood area, funded by the Victorian Ministry of Housing. Typical of inner city suburbs, Fitzroy and Collingwood were experiencing rising rents and falling vacancy rates in the private rental sector, while at the same time the area was becoming attractive to wealthier renters and home buyers.

With the assistance of local council representatives and professionals with the relevant skills (architectural, accounting and building), a detailed submission was written and put to the Ministry of Housing (MOH) in 1977.

The funds were granted to establish a pilot program in that area. Over the second and third year of its operation the program was evaluated by a team from Melbourne University and subsequent to its report a decision was made in 1981 to fund a further two cooperatives, one in Williamstown and another in Mornington. These followed the same model as the Fitzroy/Collingwood Rental Housing Association (FCRHA). Since then, the MOH has continued to fund RHC's each year.

Although this form of housing has existed for some time overseas, particularly in Sweden, Britain, USA and more recently Canada (at a stunning rate of growth), the Australian ethos has been too hooked on the "ideal" of home ownership to ever consider an alternative form of housing tenure. Happily, the Victorian Ministry of Housing has been keen to foster the development of this form of housing as the community is increasingly indicating its interest in the concept.

Unhappily, however, it has become devastatingly clear that the extent of control exercised by the tenants is something over which the MOH and the cooperatives experience a good deal of conflict.

In addition to the afore-mentioned countries, housing cooperatives have also developed to a significant

degree in the Netherlands, Hungary, USSR, Turkey and South America. However, an overall appreciation of the development of this housing is difficult because of problems of definition and because the context in which they have developed varies so greatly, from their existence historically as an integral part of the social order, to their introduction by governments as part of a major restructuring of the socio-economic fabric, to their development as an innovative answer to an acute housing shortage, to their growth through grass roots community initiatives, as the case in Victoria.

In Australia, RHC's have developed most significantly in South Australia and Victoria, where the state housing authorities have supported the cooperatives either through direct grants (Victoria) or by providing guarantees for private loans (SA).

In Western Australia, Tasmania and NSW, interested groups continue to work towards securing funds from their state housing authorities.

The Victorian cooperatives are leasing cooperatives, meaning that the members collectively lease the properties from the MOH. The MOH retains ownership, whilst management control is in the hands of the co-op effected by a headlease. In the initial years the MOH also supplies an operating subsidy, including a worker's wage. The subsidy continues until such time as the cooperative generates enough income from its rents to become operationally self-sufficient (between 35 to 50 houses). The FCRHA has been operationally self-sufficient for four years now, and a number of other coops are reaching this stage.

However, the program has not been without its teething problems, and there have been a number of disputes between the MOH and the RHC's. As is so often the case with publicly funded programs, disputes arise when the perceived need of the funding body to retain some control of the expenditure of the money is in conflict with the recipient group's desire to make meaningful the notion of community control, rather than by merely being satisfied with token gestures.

This problem has been highlighted in the Victorian situation because of the absence of any clear and agreed guidelines, policies, or conditions of funding at the early stages of the program.

Two issues in particular are of concern: tenant eligibility and rent formulas and rebates. The resolution of these differences is being worked on, now that consultation is underway over the terms of the headlease. (A headlease is an agreement by which the MOH leases the properties collectively to the cooperative.) Other issues which will be dealt with by the lease include legal incorporation of the coops.

use of surplus funds (after a co-op becomes operationally self-sufficient), plus a whole range of other concerns.

It is hoped these will be satisfactorily worked through, but already some coops have decided that unless control is given to them, and they are allowed to operate autonomously, then the program is a sham and it's better not to exist at all.

The Cooperative Housing Advisory Service (CHAS)

The Cooperative Housing Advice Service (CHAS) is a promotional cooperative whose broad aims are as follows:

- to promote the spread of RHC's
- to produce information and educational material
- to assist in resourcing interested groups
- to establish a register of skilled people.

Although existing to service existing housing cooperatives and the cooperative movement generally, CHAS too is a cooperative, embracing all the principles of cooperation.

CHAS began as a working group of Shelter (Victoria) and among its first tasks were the writing of the

original *Cooperative Housing Kit* and organising Victoria's first public forum addressing the idea of RHC's.

Since incorporation in 1981, CHAS has employed a full time worker and continued to promote coops. Initially for the workers, a large component of time was spent resourcing the new and would-be RHC's. Although this continues, and is fundamental to CHAS' involvement in the movement, the focus has shifted slightly, so that policy development and future planning for cooperatives demands much of their time.

In particular, the Ministerial Advisory Committee on Cooperatives (MACC) required valuable input from CHAS. More recently the Common Equity Rental Housing Cooperative (CERC) sub committee has had the unenviable job of setting up this new program (in which government funds are used to attract private finance to then buy properties to be collectively owned by the co-op).

CHAS is eager to see the housing cooperative movement grow and strengthen, and it has as its main priority for the future the development of new funding and management models.

Cooperative housing in Victoria may have come a long way, but it still has a long way to go.

Andrea Krelle

Making Contact — Umbrella Housing Groups

Shelter Victoria

239 Brunswick St, Fitzroy, Ph: 417 6777.

Cooperative Rental Housing Advice Service (CHAS)

574 Chapel St, St Kilda, Ph: 241 9937.

National Housing Action

Trevor Lee, 9 Enterprise Rd, Sandy Bay, Tasmania, 7005.

Shelter WA

Les Jevons, 224 St George's Tce, Perth, 6000

Shelter NSW

Rob Mowbray, PO Box C31, Clarence St, Sydney, 2000

Shelter Tasmania

Kath McLean, c/o Emergency House, 206 Elizabeth St, Hobart.

Shelter Queensland

Greg Wyman, c/o QCOSS, PO Box 15, Broadway, Queensland, 4006.

Shelter South Australia

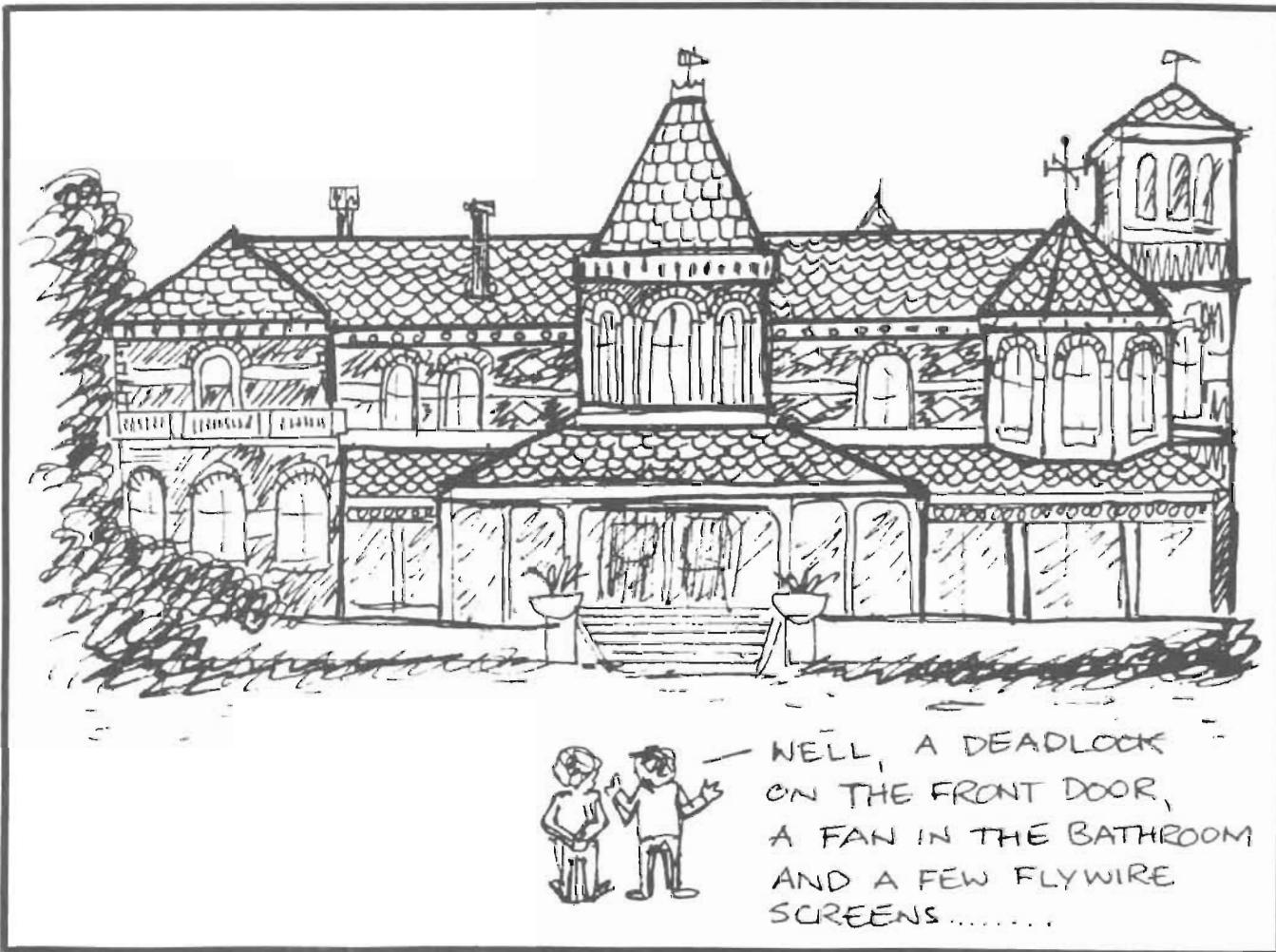
Helen Hardwick, 14 Henry St, Croydon, SA, 5000.

North Queensland Shelter

Merv Crane, PO Box 137, Manunda, Qld 4870.

ACT Shelter

Ed Wensing, 64 Maribyrnong Ave, Kaleen, ACT, 2617.



Shelter or the Streets



In some countries
they don't provide adequate housing
for young people

2ND NATIONAL YOUTH HOUSING CONFERENCE
1st day of conference • WOMEN'S DAY
Wollongong University 22nd - 25th August
National Youth Coalition for Housing

The Italian Connection

While the Italian economy staggers under the weight of unemployment and growing inflation, the co-operative sector maintains a relative health.

The movement is one of the largest worldwide, with more than 3000 active enterprises employing around 150,000 employees.

The co-operatives of the Emilia Romagna region have the highest profile. The construction cooperative Edilfer and the COOP supermarket chain are well publicised success stories both in and out of Italy.

In particular the COOP supermarkets, which retail goods from agricultural and manufacturing co-ops, best exemplify the high level of integration which exists in the co-operative sector.

Yet despite its long history and complex development, the Italian co-operative movement remains unknown in Australia.

Two researchers, Oenone Serle and Carlo Carti, have recently completed a study of Italian Co-operatives.

Through their auspice body, the Brunswick Italo-Australian Employment Co-operative, their research was funded by the Co-operative Development Program.

Their research aimed to examine the size, growth and importance of co-operatives the regional and national economies of Italy and to publicise this research in Australia.

Proposals for the project were first floated at a 1984 conference between the Victorian Government, delegates from the Emilia Romagna region and the Victorian Italian community. The meeting was organised to determine how best the Italian Co-operative Movement could share its experience with emerging worker co-operatives in Victoria. The research has resulted in ongoing contact being established. Videos and detailed literature on the Italian movement have been purchased and Serle said several major publications would be translated. Most of the research contact was through La Lega, the largest umbrella organisation for co-ops in Italy and the most left wing of the associations.

While in Italy, the researchers discussed proposals with La Lega representatives for a reciprocal visit to Australia. Preston TAFE may finance the trip.

Although most of their research was centred in the north, they also visited an agricultural co-operative in Sicily. The Co-operative Produttori Ortofrutticoli Rinascita was formed in

1964 by 27 peasant farmers and has since grown into one of the largest agricultural co-ops in Italy. In its early days the co-op pioneered several new production methods in Italy, including hothouse farming.

"The success of the co-operative is regarded as a local triumph of mythical proportions," said Serle.

"The standard of living of many small farmers has been transformed, along with knowledge about farming and marketing."

"However, compared with agricultural co-ops in the north, marketing methods at Rinascita were fairly unsophisticated."

"Workers in the Rinascita Co-operative tended to regard themselves as employees rather than co-op members, and their attitudes were not as articulated as workers in the north," she said.

"There seems not to be the political

and co-operative culture of Emilia Romagna, where everybody you meet is aware and ready to discuss the co-operative presence in political and economic life."

Sicilian history and culture has hardly been sympathetic with the development of co-operation, and the success of the Rinascita co-op is something of a breakthrough in primary production.

Rinascita Co-op is located in Ragusa, which is the only communist-controlled province in Sicily. It maintains a communist vote of 56 percent, which rivals communist support in the Tuscany, Umbria and Emilia Romagna regions in the north. Rinascita is a co-operative within La Lega.

The next phase of the research will involve translation of relevant texts and the publication of several pamphlets on the Italian Co-operative Movement.

**COOPERATIVO
NELLA
STORIA D'ITALIA**

Firenze / Palazzo Vecchio / Palazzo dei Congressi

Poster for cooperative exhibition in Florence

Occupational Health and Safety — A Role For Worker Cooperatives

The issues of occupational health and safety are as important to workers in worker cooperatives as they are to workers in any other enterprise.

The unique organisation and form of worker cooperatives offers an opportunity to see worker controlled implementation of standards.

The health and safety of workers is now one of the chief concerns of the trade union movement.

Many campaigns have been fought in recent years to safeguard workers from problems associated with such hazards as asbestos, toxic chemicals, repetitive movements, noise, heat and dust levels and new technologies such as visual display terminals.

Trade unions have been in the forefront of these campaigns, since it is the health and safety of their members which is at stake. Workers in worker cooperatives benefit from these advances in health and safety standards as much as workers from any other workplace. The ACTU has developed comprehensive policies which encourage workers to become involved in identifying hazards and in negotiating programs for their control.

The new emphasis on prevention, and on workers taking an active role in ensuring their own health and safety, should be major concerns of worker cooperatives. Worker cooperatives emphasise the importance of workers controlling the use of their labour and organising their workplaces to suit their needs.

It is clearly in cooperative workers' own interests to have good occupational health and safety standards. In worker co-operatives, the traditional conflict between employers and employees, between capital and labour is less apparent. Since the workers, collectively, hold control there should be no impediment to effecting high standards. There may, however, be other conflicts within the cooperative, eg conflict of interest between the rights of the individual worker and the inability of the cooperative. These sorts of impediments to workers' health should not be overlooked.

Nonetheless, worker cooperatives provide an opportunity to be in the forefront of reform, and they can show how workplaces can be

organised in such a way as to suit the needs of workers; to be healthy and safe.

What Hazards Exist?

A common misconception is that "heavy", "dirty", workplaces are hazardous while "light", "clean" workplaces are safe. In fact, dangers are to be found in a huge variety of workplaces which simple preventative measures may rectify. Permanent injury can arise from such "safe" looking equipment as typewriters, desks and chairs. The trade union which covers the workers in your cooperative will probably hold information on likely hazards to be found in your industry. Early liaison with your trade union is a useful step in formulating your cooperative's health and safety policy.



Implementing Health and Safety Measures

The Victorian Labor Government is committed to replacing the existing inadequate legislation on health and safety. A Bill was passed in July which provides for, amongst other things, the establishment of an Occupational Health and Safety Commission, appointment by unions of health and safety representatives with rights to regular workplace inspections, and training in identifying hazards and giving rights to workers to stop work in hazardous situations.



When the Act is proclaimed and the Commission established, workers in worker cooperatives will be able to utilise its resources in the same way as workers from any other workplace. Until then, the Victorian Trades Hall Council is recommending that workers in every workplace in Victoria negotiate their own health and safety agreement with their employer(s).

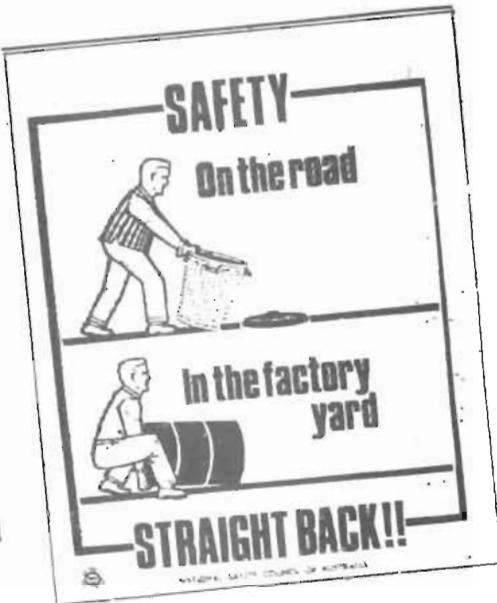
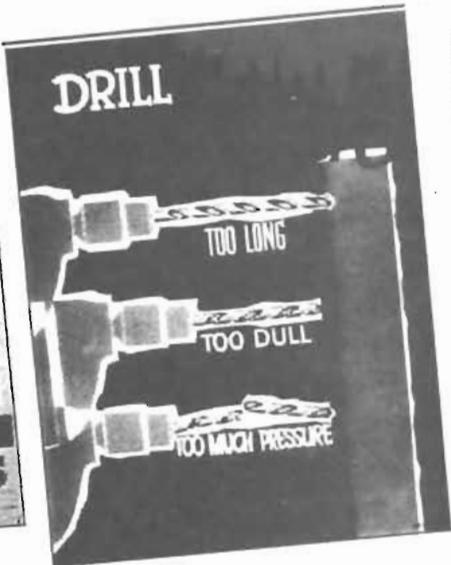
These agreements cover workplace consultative arrangements — appointment of representatives with specific powers and functions and the establishment of health and safety committees. The Co-operative Development Program is keen to see worker cooperatives adopt health and safety agreements based upon the model agreement prepared by the Victorian Trades Hall Council. Copies of the model agreement are available from the CDP or the VTHC. The model agreements will need to be modified for use in worker cooperatives to accommodate the specific structural features of cooperatives.

Nonetheless, the agreements provide a useful basis for establishing areas of management responsibility and mechanisms for regular preventative checks that are equally important for worker cooperatives.

Appropriate Action

Appropriate procedures for action should be worked out by every worker cooperative. In fact, cooperatives applying for funding under the CDP must include a comprehensive Occupational Health and Safety policy and plan for action. The following first steps give some idea of possible guidelines:

1. The cooperative should realise it has a legal responsibility to provide a healthy and safe place of work.
2. The cooperative should formulate a written comprehensive health and safety policy to include:
 - defining health and safety responsibility within the cooperative;
 - detailing the mechanisms for implementing health and safety decisions;
 - ensuring that finance is available to implement any necessary changes.



3. The cooperative workers should appoint/elect one of their number to act as the workplace health and safety representative, to be accountable to the workforce as a whole. That representative should:

- regularly inspect the workplace for hazards;
- investigate potential dangers;
- be informed of any industrial accidents;
- attend health and safety training courses;
- be given time off to perform his/her duties.

4. The health and safety representative should be empowered to organise immediate cessation of work if a hazard is identified which poses an immediate health threat to workers.

5. The cooperative should appoint/elect from among themselves, a small health and safety committee (to include a representative from the board as well as the health and

safety representative).

6. The health and safety committee should be responsible for ensuring that action is taken to establish and maintain high health and safety standards, and ensure that the health and safety implications of any proposed changes to the workplace are examined.

7. The committee should develop the policy for induction courses for new employees on health and safety matters.

Making Health and Safety A Priority

It is the responsibility of the worker cooperative as a whole to make health and safety a high priority. Since workers in worker cooperatives enjoy a high degree of control over their workplace, they are in a prime position to establish

and maintain optimum health and safety standards.

It is the responsibility of everyone in the cooperative to make health and safety a priority — to ensure that the collective welfare of the enterprise does not negate the individual rights of the workers.

Making changes to the workplace may be expensive, and remaining constantly vigilant to health and safety may seem unnecessary, but the workplace is not static. New chemicals are being introduced, new processes and new procedures are being adopted. New employees are being hired who may be unfamiliar with your cooperative's equipment/processes. Each time these changes occur, former hazards may be eliminated — but their place may have been taken by different ones.

Continued from page 6
confederation. After several discussions with government officials, the company was declared to be *intervenida* and a recent university graduate was appointed to run the factory. Although well disposed toward the workers, the intervenor lacked the experience and was frequently absent. Thus the firm's everyday operation and management were left to the workers. Concerned about their jobs, the workers, under the leadership of the union, assumed new responsibilities and strove to increase production, despite the shortages of materials and spare parts.

After the military coup in September 1973, the intervenor disappeared and was replaced by a young military officer who was even more inexperienced in managing a factory. After some initial distrust, a *modus vivendi* was established with the workers. As long as employees showed up on time, were respectful toward authority, and avoided any political activity, the officer would not initiate any reprisals. Productions and sales, however, were low, and salaries did not keep up with inflation.

Several months after the coup, the former owner was seen talking to the officer, and the rumor spread that the factory was about to be handed back. Still, nothing happened. Six months later the workers were told that the government had decided to sell the company to the highest bidder.

After the coup, the union's leadership had passed quietly into the hands of a coalition of Christian Democrats and independents. Concerned about who might buy their factory and about the possible loss of autonomy that had been gained from a series of "absentee owners", the union officials considered purchasing the factory. One person said he knew an engineer who had promoted industrial cooperatives during the former government of Eduardo Frei. Through this contact the workers received a loan of \$250,000 from a Church-sponsored savings and loan association. By combining this money with their accumulated rights to pensions and severance pay, the workers purchased the firm for \$300,000.

Simply purchasing the firm, however, did not end the workers' problems. Ernesto and his fellow worker-owners now confronted challenges and responsibilities for which they were unprepared. What alternative legal forms might their enterprise take, and what were the advantages and disadvantages of each? What steps were needed to set up the desired form? Were there any legal problems or law suits pending, and what could be done with them? In order to purchase the firm the workers had ceded their rights to pensions and severance

pay. What would happen to people when they retired or if the firm went bankrupt? How would the workers repay the money they borrowed to buy the factory? Would there be enough working capital to buy raw materials and pay wages? The machinery was old and needed replacing: what would be the best technology to purchase? How could they afford it? How should the factory be run? Was a manager needed? If so, should the manager come from the ranks or be hired from the outside? To whom could they turn for help and advice?

A Garment Factory In Peru

Fortunata Huaman was born in the Peruvian Andes, where, during her childhood, she looked after the few animals on her family's tiny farm. She and her four brothers and sisters rarely saw their father, who was usually looking for work in the city. Soon after her eighth birthday, Fortunata and her older brother were sent to an uncle who lived in a squatter settlement in the desert on the outskirts of Lima. Her household chores were heavy, but she did have a chance to attend school with younger children. She never got beyond the fourth grade.

When she was 14, Fortunata was hired as a maid by a middle-class family. Although the pay was extremely low, she did receive room and board, and her employer taught her the basics of dressmaking. Two years later, Fortunata used that skill and the recommendation of a relative to find a job as a seamstress in a small workshop. Even though she earned a smaller net income in her new position after she paid her bus fares and room and board, at least she was independent and hopeful of advancement.

At first it was difficult to adjust to the discipline required in the workshop, and it took some time to adapt to the habits of other employees, most of whom had grown up on the coast. But gradually, she felt the sense of belonging to a group of women who shared the same problems.

Things seemed to improve until, in 1974, the workload began to slacken. Then, one payday, the owner announced that because of a lack of "liquidity" the women would receive only half their pay.

One of the employees had heard that the owner was parcelling out sewing to seamstresses who worked at home for lower piece-rates and without social security.

The situation continued to worsen. Some paydays were missed altogether, and the firm ran up a sizable debt with its employees. When one woman became ill and applied to the social security hospital she was refused treatment because her employer was behind in his insurance payment. Finally, the owner tried to browbeat some of the women into resigning

voluntarily. Faced with these threats, the "industrial community" which had been formed by officials from the Ministry of Industry over the owner's opposition, began to demand the right to participate on the board of directors and to inspect the firm's books. The owner responded by closing the factory for a month's vacation.

During their forced vacation, Fortunata Huaman and the other members of the industrial community's government committee frequently visited the Ministry of Industry to enlist support but were shuffled from one official to another.

When the women returned to work, they found that half the machines had gone. Then the owner announced that he could not employ everyone. He offered — on the spot — half their legal benefits to all employees who resigned now and the other half in six months, insinuating that those who did not quit might be fired. Some people resigned, but about 20 decided to stay on under the leadership of the industrial community.

Several weeks later, the owner announced he was shutting the factory and cancelling the women's back pay and other legal benefits. In the meantime, the workers had learned that the owner had set up another factory with the machinery that had "disappeared", with new labourers receiving lower wages and lacking an industrial community. Alarmed, the women decided to take over the factory and sit in.

For several weeks, a core of about 15 workers occupied the building. Their cause was publicised by sympathetic newspapers, and they received support from unions and other worker-owned firms with which they had no previous contact. The leaders of the industrial community managed to find a lawyer, and with his aid and after innumerable meetings in government agencies, the bankruptcy court awarded temporary administration of the firm to the industrial community.

Now that the business belonged to the remaining workers organised as an industrial community, they faced a range of problems similar to those of Ernesto Gutierrez and his fellow workers in the stove factory in Chile. How could they prepare themselves to carry out their new responsibilities?

The Need For Support Structure

Most of the firms in Chile and Peru that would compose the new worker self-managed sectors were businesses which had previously gone bankrupt, had their operations suspended or had been abandoned by their former owners. In other words, it was not only necessary to reorganise the firms' operating

procedures to cope with a new business structure, it was also necessary to revive companies which had faltered or failed when they were run according to the dominant rules of the game.

When private groups in Chile and the government in Peru began to promote worker self-managed sectors in 1974, they also tried to set up institutions to provide the services those firms would need to survive. In Chile, a board was established under the auspices of the Catholic Church to funnel technical and financial resources to worker self-managed firms. From the beginning, this agency had difficulty reconciling conflicting demands and integrating the sector. The small and medium-sized firms which were founded before the coup desperately needed working capital and resented that most of the money from foreign donors was being used to buy new firms. The new and old firms were so different in size, production activity and market that coordinated planning was difficult and the possibilities of vertical or horizontal integration were minimal.

Dwarfing these internal problems, the country remained in "crisis". When the board first met to hammer out an agreement between the various worker self-management factions, it found the building surrounded by troops who were called out to maintain "order".

The delegates at the meeting emphasised the need to avoid potentially divisive debates which might split the sector or raise issues which would prompt a government crackdown. During the years it existed, the board was often ineffectual. Strong measures that might damage the tenuous consensus were precluded.

The internal difficulties in organising the sector were aggravated by the condition of the Chilean economy. The government withdrew from the Andean Pact and drastically reduced tariffs, exposing manufacturers to foreign competition and throwing the whole industrial sector into a deep depression. Bankruptcies mushroomed. On top of this, in 1975, a large savings and loan cooperative, IFICOOP, was taken over by the government and dissolved, forcing several production co-operatives into bankruptcy and eliminating an important source of working capital for others. (The government used the default of one of IFICOOP's large debtor cooperatives to justify the closure: the government was acting only to protect other debtors from IFICOOP's inevitable bankruptcy. Yet, when the accounts of the savings and loan were settled, there was actually a surplus.)

By mid-1977, the situation was critical. Many self-managed firms — including some of the biggest —

had disappeared, and most of the rest were teetering. Early attempts at increasing productivity by training workers through the Cardijn Foundation failed when the foundation was dissolved under political pressure from the government.

There were, however, some positive signs. In 1977, the board responsible for governing the sector was reorganised as the Institute for Self Management (INA). To reduce the friction that had arisen between the professionals who had originally tried to organise the sector and the rest of the movement, representatives from unions and worker self-managed firms joined the institute's board of directors. Despite procedural delays, the government eventually granted INA a legal charter.

Meanwhile, a second problem had arisen. The Labor Savings and Loan Cooperative (ACL), which was designed to be the sector's financing mechanism, was hamstrung by government regulations limiting its loans to under \$26,000. To some extent, this hindrance was circumvented when the sector purchased the Social Interest Financial Institution (FINTESA) from a savings and loan cooperative. FINTESA had a broader legal mandate and promised to be a more effective instrument for coordinating the sector's financial strategy.

In 1978, INA designed an emergency program to assist troubled firms with funds received from the United States and West Germany that were to be channelled as loans through FINTESA. The sector was divided into three groups: those enterprises with a good chance to survive with some financial assistance, those that might survive, and those that were certain to fail. Medium-term loans were granted to firms in the first two categories in an effort to stabilise and consolidate the sector while minimising decapitalisation so that future expansion could be financed when the economy improved. Funds were also allotted for a more integrated technical assistance program which would concentrate on organisational development. This program was to be designed and run by the Centre for Cooperative Studies and Development, while previously scattered and ineffectual training efforts were to be coordinated through INA.

In 1979, an economic recovery began and the worker self-managed sector seemed to be holding its own. By 1981, however, the Chilean economy was foundering again. Exports were down; interest rates reached record levels (50-60 percent); and internal demand was falling. The number of self-managed firms fell from its 1974 peak of 60 to about 25 in late 1981. Of these enterprises, no more than a dozen

were expected to survive, and many were already technically in default.

Despite an influx of new donor capital, FINTESA — which was expected to service the union movement, peasant cooperatives, and industrial, self-managed businesses at below-market rates — was foundering. Most of its outstanding loans were to self-managed enterprises that were unable to repay. Then, a major managed firm shook the ethical and financial foundation of the whole sector. INA, with most of its assets convertible in the short term, had guaranteed but could not cover FINTESA's unpaid loans to the self-managed sector. On the edge of bankruptcy, the institute sharply curtailed its activities. Conflicts between the various partners in FINTESA, and between the self-managed firms and INA and FINTESA, finally required mediation by the Church. In short, the self-managed sector never consolidated and was on the brink of total collapse.

In Peru, the attempt to set up a co-ordinated support structure for the new worker self-managed sector followed a different course to a similar end. The government created the National Social Property Commission (CONAPS) to implement the 1974 legislation that mandated the new sector. The commission's president had ministerial rank and its members were drawn primarily from government agencies. CONAPS' early strategy was to establish as many firms as quickly as possible. However, to implement its program, CONAPS had to work through the state bureaucracy. These ministries had independent priorities and there were inevitable delays.

This article will be continued in the next edition.

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